



# County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration  
500 West Temple Street, Room 713, Los Angeles, California 90012  
(213) 974-1101  
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WILLIAM T FUJIOKA  
Chief Executive Officer

March 29, 2011

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

Dear Supervisors:

## ADOPTED

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

10 March 29, 2011

*Sachi A. Hamai*  
SACHI A. HAMAI  
EXECUTIVE OFFICER

Board of Supervisors  
GLORIA MOLINA  
First District

MARK RIDLEY-THOMAS  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

### **AMENDMENT NUMBER THREE TO CONTRACT NO. 76808 WITH GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY FOR CHANGES TO THE COUNTY'S DEFINED CONTRIBUTION PLANS (ALL DISTRICTS) (3 VOTES)**

#### **SUBJECT**

Proposed amendment to contract with Great-West Life & Annuity Insurance Company (Great-West) to: 1) implement a computer security breach notification process; 2) terminate communication services for the 401(k) Savings Plan; and 3) terminate Stable Fund crediting rate services for the 457 Deferred Compensation and Thrift Plan (Horizons), 401(k) Savings Plan, and Pension Savings Plan.

#### **IT IS RECOMMENDED THAT YOUR BOARD:**

1. Approve the attached Amendment Number Three to implement the following changes to the County of Los Angeles (County) Defined Contribution Plans to establish a computer security breach notification process; to terminate the communication services for the 401(k) Savings Plan; and to terminate Stable Fund crediting rate services for the Horizons Plan, 401(k) Savings Plan, and Pension Savings Plan.
2. Instruct the Mayor to sign an amendment to the contract with Great-West Life & Annuity Insurance Company, Contract No. 76808.

#### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

Great-West has been the County's third party administrator (TPA) for the Horizons and Savings Plans since 1997. There are approximately 84,000 participants and \$5.6 billion in assets in the Horizons Plan and approximately 13,000 participants and \$1.5 billion in assets

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in the 401(k) Savings Plan. Great-West is responsible for maintaining the participants' accounts and processing all daily financial transactions which include investment trading transactions initiated by participants, changes in deferral amounts, hardship withdrawals, and the administration of loans.

The proposed Amendment will implement the following changes to the County's Defined Contribution Plans:

#### Computer Security Breach Notification Process

To safeguard Plan financial transactions and administrative processes, and mitigate risk of potential disclosure of participant personal information, the County's Chief Information Security Officer (CISO) recommended a new requirement to establish a computer security breach notification process. This requirement was presented to the Plan Administrative Committees, where approval of this recommendation was obtained.

This process addresses the potential or actual breach of security for paper/hardcopy documents and/or electronic computerized data involving participants' non-public personal information or confidential data, whether the data is encrypted or unencrypted. Great-West will provide notifications to the County, affected participants, and perform necessary remediation dependent upon the circumstances of the actual breach, in accordance with applicable law, to limit harm to the affected participants.

The County and Great-West will establish the computer security breach notification process during this calendar year. Also, Great-West will implement recommended computer security enhancements by the CISO for their web site and interactive voice recognition system that is accessed by participants to manage their accounts.

#### Communication Services for the 401(k) Savings Plan

Communication services which include design and production of communication materials for the 401(k) Savings Plan are currently provided by Great-West since July 1, 2008. A joint Request for Proposal (RFP) for communication services and a new marketing design was issued in October 2010 for the Horizons and Savings Plans. The Savings Plan Administrative Committee approved the selection of Great-West to perform communication services for the Savings Plan. In order to negotiate a new service agreement with Great-West, the current communication services contract that is bundled in the TPA contract needs to be terminated.

**Stable Fund Crediting Rate Services for the 457 Horizons Plan, 401(k) Savings Plan, and Pension Savings Plan**

In July 2010, the Plan Administrative Committees approved Invesco Advisers, Incorporated (Invesco) as the discretionary fund manager to oversee the investments and structure of the Stable Fund. When Invesco signed the Stable Fund discretionary manager contract, Invesco also assumed responsibility for calculating the quarterly crediting rate based on the performance and projected returns of the underlying investment options. Great-West will no longer need to provide the crediting rate services for the following plans: Horizons, Savings, and Pension Savings.

**Implementation of Strategic Plan Goals**

The recommended changes are consistent with the Countywide Strategic Plan Goal, Organizational Effectiveness by providing fiscal integrity and financial responsibility in having a computer security breach notification process in place and cost savings to have a single vendor provide communication services and a single vendor provide Stable Fund crediting rate services.

**FISCAL IMPACT/FINANCING**

There is no net County cost to implement the security breach notification process. The proposed amendment to terminate the communication services in the TPA contract would provide annual cost savings of approximately \$44,000 or approximately \$3.00 per participant in the Savings Plan.

**FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

The Horizons Plan, Savings Plan, Termination Pay Pick-Up Plan, and Pension Savings Plan are tax-favored defined contribution plans that must comply with existing tax law and regulatory requirements. County Code Sections 5.18, 5.19, 5.25, and 5.26 serve as the federally required plan document for the Horizons and Savings Plans. Under Chapter 5.26, Section 5.26.360 of the County Code, your Board has delegated the Savings Plan Administrative Committee authority to contract with one or more private firms for services related to the Plan, consistent with Section 44.7 of the County Charter and Chapter 2.121 of the County Code.

County Counsel has approved the proposed Amendment as to form.

**CONTRACTING PROCESS**

Your Board approved the contract with Great-West for third party administrative services on June 17, 2008. The proposed Amendment adds a provision to the contract for a computer security breach notification process, terminates the communication services for the 401(k)

The Honorable Board of Supervisors  
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Savings Plan and Stable Fund crediting services for the Horizons Plan, Savings Plan, and Pension Savings Plan. An RFP for a communication services consultant for the 401(k) Savings Plan was issued in October 2010. In response to the RFP, proposals were received from five vendors. The RFP evaluation committee conducted a thorough evaluation of the proposals in accordance with the evaluation criteria set forth in the RFP document. Each proposal was evaluated on each proposer's professional and staff qualifications, proposed communication program, and proposed costs. On December 17, 2010, the Savings Plan Administrative Committee approved the selection of Great-West as the communication services consultant for the Savings Plan.

### **IMPACT ON CURRENT SERVICES**

The proposed Amendment will establish a notification process for plan participants following the breach of personal information. This will allow affected participants the opportunity to take steps to protect themselves from identity theft or other misuse of their personal information. Also, it will improve the efficiency and effectiveness of Plan communication services by consolidating the provision of these services under a single vendor.

Respectfully submitted,



WILLIAM T FUJIOKA  
Chief Executive Officer

WTF:BC:JA  
MTK:AJ:mst

Attachment

- c: Executive Office, Board of Supervisors
- County Counsel
- Auditor-Controller
- Chief Information Office
- Department of Human Resources
- Horizons Plan Administrative Committee
- Savings Plan Administrative Committee
- Termination Pay Pick-Up Plan Administrative Committee
- Pension Savings Plan Administrative Committee
- SEIU Local 721
- Coalition of County Unions

**CONTRACT BETWEEN  
COUNTY OF LOS ANGELES  
AND  
GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY  
FOR  
THIRD PARTY ADMINISTRATIVE SERVICES  
(Contract No. 76808)  
  
AMENDMENT NO. 3**

WHEREAS, on November 20, 2008, the County of Los Angeles, hereinafter referred to as the "COUNTY," entered into a contract with Great-West Life & Annuity Insurance Company, hereinafter referred to as the "CONTRACTOR," for defined contribution plan services; and

WHEREAS, on March 30, 2010, the COUNTY and CONTRACTOR entered into Amendment No. 1 to the contract; and

WHEREAS, on December 7, 2010, the COUNTY and CONTRACTOR entered into Amendment No. 2 to the contract; and

WHEREAS, Section 8.4.2, "Amendments" of the aforementioned contract requires that revisions, which affect the Statement of Work and Contract Sum, be prepared and executed by the CONTRACTOR and by the COUNTY Board of Supervisors;

WHEREAS, the parties agree to terminate all communication consultant services relating to the 401(k) Savings Plan and cancel all related fees listed as Communication Services, terminate Stable Fund crediting rate services for the Deferred Compensation and Thrift Plan (Horizons), 401(k) Savings Plan, and Pension Savings Plan and cancel all related fees listed as Stable Fund Crediting Rate Services, and add a new provision to the Contract regarding the security and privacy of participants' personal information.

NOW, THEREFORE, it is agreed between the parties that the Contract shall be amended as follows:

**1. This Amendment No. 3 shall commence and be effective on March 29, 2011.**

All Communication Consultant Services relating to the 401(k) Savings Plan, including those set forth in Exhibit A, Statement of Work, shall be terminated and all related fees listed as Communication Services, as set forth in Exhibit B, Pricing Schedule, shall be cancelled.

All Stable Fund Crediting Rate Services relating to the Deferred Compensation and Thrift Plan (Horizons), 401(k) Savings Plan and Pension Savings Plan, including those set forth in Exhibit A, Statement of Work, shall be terminated and all related fees listed as Stable Fund Crediting Rate Services, as set forth in Exhibit B, Pricing Schedule, shall be cancelled.

- 2. A new section, Section 7.9 SECURITY AND PRIVACY OF PARTICIPANTS' PERSONAL INFORMATION, shall be added to the Contract as follows:**

**7.9 SECURITY AND PRIVACY OF PARTICIPANTS' PERSONAL INFORMATION**

CONTRACTOR shall notify COUNTY [via contact information by calling (562) 940-3335 that provides 24 x 7 x 365/366, or email to: CISOnotify@cio.lacounty.gov] within three (3) calendar days after the date CONTRACTOR has confirmed that a potential or actual breach has occurred regarding the security of paper documents and/or computerized data involving participants' non-public personal information, regardless of whether such data is encrypted or unencrypted.

CONTRACTOR shall provide updates to the COUNTY throughout its investigation of the potential or actual breach of Class 1 Data. Participant non-public personal information is defined as confidential information that could be utilized to uniquely identify a participant and is in accordance with California Senate Bill 1386 and California Civil Code 1798.82 ("Applicable Law"), in whatever form such confidential information resides, ("Class 1 Data").

Once CONTRACTOR confirms that a breach of a participant's Class 1 Data has occurred, CONTRACTOR shall provide notifications to the County and affected participants in accordance with Applicable Law as soon as possible. CONTRACTOR shall undertake such remedial efforts available to CONTRACTOR consistent with the facts and circumstances of the actual breach, and in accordance with Applicable Law, to limit harm to participant(s) affected.

- 3. Except as modified by this Amendment No. 3, all terms and conditions of the Contract shall remain in full force and effect.**

IN WITNESS WHEREOF the County of Los Angeles and Great-West Life & Annuity Insurance Company have each caused this Amendment No. 3 to be executed by its duly authorized officer as of the date first above written.

GREAT-WEST LIFE  
& ANNUITY INSURANCE COMPANY

By Gregory E. Seller

(Name)

Senior Vice President,  
Government Markets  
(Title)

ATTEST:

SACHI HAMAI  
Executive Officer  
Board of Supervisors

By Lachelle Smitherman

Deputy



COUNTY OF LOS ANGELES

By Mike Antonovich

Mayor, Board of Supervisors

I hereby certify that pursuant to  
Section 25103 of the Government Code,  
delivery of this document has been made.

SACHI A. HAMAI  
Executive Officer  
Clerk of the Board of Supervisors

By Lachelle Smitherman

Deputy

**ADOPTED**  
BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

APPROVED AS TO FORM:

ANDREA SHERIDAN ORDIN  
County Counsel

By Andrea S. Ordin

Principal Deputy County Counsel

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MAR 29 2011

Sachi A. Hamai  
SACHI A. HAMAI  
EXECUTIVE OFFICER

76808 Supplement No. 3